

Message Text

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C O N F I D E N T I A L MOSCOW 1597

USDOC FOR BEWT/TDAD

E.O. 11652: GDS

TAGS: ETRD,EEWT,EIND,UR

SUBJECT: ADDITIONAL INDICATIONS OF DELAYS IN KAMAZ PROJECT

1. DURING LAST FEW WEEKS, COMMERCIAL OFFICE HAS OBTAINED INFORMATION FROM VISITING U.S. BUSINESSMEN WHICH, TAKEN TOGETHER, INDICATES THAT SOVIETS WILL BE LUCK INDEED IF THEY ARE ABLE TO BEGIN PRODUCTION AT KAMA TRUCK PLANT (KAMAZ) BY END OF 1976.

2. LATEST U.S. SALE OF EQUIPMENT FOR KAMAZ WHICH HAS COME TO EMBASSY'S ATTENTION WAS 3.5 MILLION DOLLAR CONTRACT SIGNED JANUARY 30 BY GENERAL ELECTRICAL MECHANICAL (GEMCOR) OF BUFFALO FOR EQUIPMENT TO RIVET TRUCK FRAMES. THIS CONTRACT HAS BEEN UNDER NEGOTIATION FOR AT LEAST TWO YEARS. COMMOFF UNDERSTANDS THAT ONE MAJOR REASON FOR DELAY IN CONCLUDING CONTRACT WAS SOVIET EFFORT OBTAIN COMPLETELY AUTOMATED SYSTEM, WHICH WOULD BE UNIQUE IN WORLD IF SOVIETS COULD FIND MANUFACTURER. CONTRACT WHICH GEMCOR SIGNED COVERS ONLY ONE PART OF RIVETING SYSTEM, AND SOVIETS ARE APPARENTLY STILL LOOKING FOR OTHER PIECES OF SYSTEM. GEMCOR REPS ADVISED COMMOFF THAT EQUIPMENT WHICH THEY SOLD IS SUFFICIENT FOR ONE-THIRD OF PROJECTED KAMAZ OUTPUT AND THEY EXPECT TO OBTAIN ORDERS FOR ADDITIONAL EQUIPMENT.

3. ANOTHER MAJOR CONTRACT WHICH HAS NOT YET BEEN CONCLUDED IS FOR COMPLETE PLANT AUTOMATION SYSTEM COVERING ALL SECTIONS OF KAMAZ PROJECT EXCEPT FOUNDRY. TALKS ARE UNDERWAY BETWEEN
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AVTOPROMIMPORT AND IBM, BUT THESE NEGOTIATIONS ONLY BEGAN AT END OF JANUARY. IT IS DIFFICULT TO SEE HOW THIS EQUIPMENT

COULD BE DELIVERED IN LESS THAN TWO YEARS. COMMOFF ALSO UNDERSTANDS THAT SOVIETS ARE STILL NEGOTIATING WITH SEVERAL FOREIGN SUPPLIERS FOR PLANT TO PRODUCE TECHNICAL RUBBER ITEMS FOR KAMAZ TRUCKS. GATES RUBBER IS AMONG CONTENDERS FOR THIS PROJECT, WHICH WE UNDERSTAND WILL BE CONSTRUCTED AT BALOKOVO (SITE OF PIRELLI-SUPPLIED PLANT WHICH PRODUCES SIMILAR ITEMS FOR VAZ). PIRELLI IS VERY MUCH IN RUNNING FOR THIS CONTRACT, HOWEVER, AND HAS GONE SO FAR AS TO PLACE PRELIMINARY ORDERS WITH EQUIPMENT SUPPLIERS. REGARDLESS OF WHICH COMPANY WINS ORDER, THIS PLANT CAN HARDLY BE EXPECTED TO GO INTO PRODUCTION IN LESS THAN TWO YEARS.

4. IN ADDITION TO ABOVE-MENTIONED CONTRACTS, NEGOTIATIONS ARE UNDERWAY AT PRESENT FOR EQUIPMENT TO BE INSTALLED AT A NUMBER OF SATELLITE PLANTS WHICH WILL PRODUCE PARTS AND SUB-ASSEMBLIES FOR KAMAZ.

5. GIVEN COMPLEXITY OF EQUIPMENT IN QUESTION AND RESULTING LONG LEAD TIMES REQUIRED FOR MANUFACTURE AND DELIVERY, FACT THAT SOVIETS HAVE YET TO ORDER SEVERAL IMPORTANT PIECES OF KAMAZ PROJECT SUGGESTS THAT IT WILL BE AT LEAST TWO MORE YEARS BEFORE VOLUME PRODUCTION IS ACHIEVED AT KAMAZ. CEREMONIAL "FIRST TRUCK" COULD OF COURSE ROLL OFF ASSEMBLY LINE CONSIDERABLY IN ADVANCE OF THAT DATE.
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